



APPROVED BUDGET OF

GREATER GIYANI MUNICIPALITY

2015/16 TO 2017/18
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

Approved by council on 27 May 2015

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- At www.greatergiyani.gov.za

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Part 1 – Approved Budget

1.1 Mayor's Report

Madam speaker, it is worth noting that we are indeed making history this year as we celebrate 15 years of local government in South Africa. It has been a milestone of transforming local government from the development of the white paper on local government to the current state of local government.

Therefore it becomes imperative that the present generation of leaders will always remember people like Tshepiso Mashinini, the former and the first chairperson of the white paper working committee and all the other women and men who contributed towards the building of the democratic system of local governance in south Africa.

Today we proudly talk about stable policies of this sphere of government, and we have better systems and structures in place, attributed by the fact that we have stable policies that are guiding our municipalities.

It is also important to note that this budget speech coincides with lot of developments in the country. The most disheartening thing that befell our beloved country this month was the ugly scenes of xenophobic attacks directed at foreign nationals.

In line with the call by the state President Jacob Zuma, we want to once again use this platform to condemn any act of xenophobic attacks or utterances in the strongest possible terms.

Over the past 20 years the ANC led government have built million houses, tarred hundreds kilometres roads, delivered water and electricity, improved access to schools and health care facilities. Yet there are still many other challenges that are confronting our people. Yes indeed, Rome was not built in one day.

Indeed some great strides have been made in dismantling apartheid spatial development. Hence there are still fault-lines across our social landscape.

The budget we are presenting is in line with the country's vision that is the national development plan.

Hence there is a need to intensify efforts to ensure that we improve our growth performance, create work opportunities and broaden economic participation. Indeed we need to fulfil these goals if our National Development Plan is to be realised.

In few weeks from today, we will bid farewell to our 2014/2015 financial year, making way for the most anticipated 2015/16 financial year.

We have gathered here once more as Council to consider key plans that are central to the functioning of a municipality. We do so fully aware of the fact that we hold our people's great expectations, hopes and dreams. The development of this budget speech has considered every effort to ensure that the process we undertook becomes inclusive, interactive and transparent. We will always thrive to close the gap between the expectations our citizens and the ability of government to deliver services.

One thing we are certain of, we will not fail our people. We will vigorously thrive to fulfil our mandate.

There is a significant improvement in terms of integrating Sector Priorities and projects into municipal IDP for 2015/16 financial year. We once again obtained higher rating in terms of the credibility of our IDP.

Special programmes

We have annual budgets allocated for the following special programmes in the Office of the Mayor: Gender, Youth, Older Persons & Children, HIV/Aids, Traditional Affairs, Excellence Awards and Bursaries. Important to note is that each programme is allocated an officer or coordinator to oversee it.

With regards to bursaries, members of the public should note that our bursaries are only intended to all prospective tertiary students who want to study at TVET formerly known as further education and training colleges. The public should note that the first group of bursary recipient was for the previous financial year.

Our first education excellent awards were held in 2014, we wish to continue with the same trend in trying to motivate learners, educators and parents to realise that education is the societal issue.

Our interaction with the community got a major boost through the launch of Giyani Community Radio. The station is already a year old and the results are there for everyone to take note of.

We want to call on members of the public to continuously lend support of any kind to our station appeal. We call all patriotic local business men and women to support the station financially.

We also want to congratulate the station manager, Mr Chavani for your charismatic leadership that you have shown ever since the birth of this station.

OPERATION CLEAN AUDIT

In one of his famous quotes, Nelson Mandela says, “it always seems impossible until it’s done”.

In the light of the above quote, honourable members we are pleased to announce to this house that Operation Clean Audit is on cause.

In his budget speech, for the 2014 /2015 financial year, the mayor of Giyani municipality gave marching orders, and I quote

“In the next financial year we want the municipality to attain a clean audit report from the office of the auditor general, if there will be no significance improvement on the audit outcome, the council will take decision to those responsible”

We are happy to report that the progress made thus far is promising. We have moved from the previous negative audit opinion to obtaining qualified audit report from the recent Auditor General report. As a result of these developments, we are highly inspired madam speaker; our next target is the clean audit. We really appreciate the good work done by our officials.

Provision of basic service

According to Ashanti’s famous proverb, “you must act as if it is impossible to fail”.

True to this proverb, the ANC led government has made an undertaking in line with the Millennium Development Goals to ensure that all households are provided with free basic services

Whilst it is true that government have not yet achieved 100% of its basic service delivery commitments to the people, equally, we must say that we are indeed satisfied with what has been done to improve the livelihoods of our communities thus far.

As Vince Lombardi says, “winning isn’t everything, but wanting to win is”. From the onset, we have set ourselves clear goals as to how to deal with amongst others water challenges.

The war against water scarcity in the municipality continues unabated. When the President of the country Mr Jacob Gedleyihlekisa Zuma and Minister of Water and Sanitation, Cde Nomvula Mokonyane came to Giyani to officially open the Nsami dam raw water plant last year, the doubting Thomases including members of the media never expected it to make such a serious impact.

Yet, as a municipality and government in general, we are starting to see a remarkable progress.

We are pleased to announce to this house that through Lepelle Northern Water Board in collaboration with the Mopani District Municipality and the Department of Water affairs, government is making much needed progress in the area of providing water.

We are reliably told that although in a very small scale, for the first time in many years, clean water is able to occasionally reach 36 villages of the targeted 55.

In deed “winning isn’t everything but wanting to win is”.

Sanitation

We are making great strides in as far as sanitation is concern. Thanks to Mopani district municipality and the Department of Cooperative Governance, Human Settlement and Tradional Affairs who have allocated us 13 437 units plus additional 1000 units from National Department of Human Settlement during 2014/15. In total we had built well over 14 437 sanitation units in 2014/15 financial year.

Mopani district has allocated us another 7400 units as informed by our sanitation backlog list submitted for 2015/16 financial year. It should be noted that this will be the last batch of sanitation units for Giyani as Mopani would like to give us a break in that regard.

ELECTRICITY

Electricity is no longer a privilege as compared to the old apartheid days, but it is a right. Our people deserve better. And we are committed to the course.

With all our 91 villages having been electrified, we are proud as a municipality to announce that the following extensions namely Gon'on'o, Ndengeza, Bode, Noblehoek, Blinkwater, Maphata and Botshabela were electrified during the year under review (2014/15). About 843 households benefitted from these projects. A further estimated 80 households from Mavhuza village benefitted from what in Eskom terms is generally referred to as Post connections.

I would not have done justice to the community members of Mageva, particularly those who are residing at a section known as Xitshalala if I do not reassure them that Eskom will start working

on their extension soon. We are reliably informed that they are now on planning phase. We once again urge you to remain patient as your time is now.

We are very pleased to announce that 10 high mast lights were installed in all the 10 Traditional councils. The beneficiaries of these high mast include amongst others Sifasonke, Kremetart, Nkomo 22b, Makhuva, Ndhambi, Basani, Ndengeza, Siyandhani, Blinkwater and Mavalani.

In the next financial year (2015/16) we are going to install 30 high mast lights to be distributed amongst the following areas: Ximawusa, Rivala, Babangu, Dingamazi, Sodoma, Gandlanani, Dzingidzingi, Sikhimini, Nkomo C, Homu 14C, Giyani section F, Xikukwani, N'wadzekudzeku, Mninginisi Block3, Mhlava Wellem, Khakhala, Ndindani, N'wakhuwani, Bon'wani, Shawela RDP, Muxiyani, Munghonghoma, Daniel Rababalela, Nkomo, Mayephu, Xitlakati, Zava, Phalaubeni, Jim Nghalalume and Mapayeni.

We are rolling out this project as part of our contribution to the fight against escalating crime. We have noted with grave concern that most of these crimes are committed during the night under the darkness.

There are already reports of vandalism to the installed high mast including the one at Mavalani where I come from. We appeal to all beneficiaries of any of our projects to jealously safeguard them and report vandalism. The mistake that our people often commit is to harbour criminal elements for whatever reason. Let us expose all those rogue elements, those who set themselves as enemies of progress.

ROADS AND TRANSPORT

We cannot down play the seriousness of the backlog we are having in as far as road infrastructure is concern. We continue to receive complaints surrounding issues of road maintenance or tar.

We know very well that mainly our people need water and road infrastructure, we still have backlogs in provincial roads such as, Thomo to Hlomela road, Babangu to Msengi road, Xikukwani to Nwadzeku-dzeku road, Mageva to Makhuva road, Ndhambhi to Xitlakati road, Mphagani to Xitlakati road and Mninginisi to Shangoni gate.

To resolve this serious impasse, we have requested all the main role players to resuscitate the transport forum through which regular and robust discussions will take place pertaining to all areas of concern.

Through this forum we will get first-hand information regarding the department's plan to maintain all these roads. We are equally prepared to share our resources with both Mopani

district municipality and the department of Public Works and Roads Infrastructure to improve the condition of our roads.

On a very positive note, the provincial government is busy tarring the once problematic Siyandani / Nkuri road. Even more exciting is the fact that the two roads connecting both Hlaneke and Gon'on'o from Elim main road are under construction. Now, with these very roads out of our backlog list, we can proudly say that there is a light at the end of the tunnel.

Zooming into our own roads and Infrastructure maintenance, we are pleased to reveal to this house that we have worked out a plan that is bound to take us a step forward.

We have appointed a pool of contractors that will deal with the intervention on challenges relating to road maintenance, Tar road maintenance and potholes in particular, Culvert bridges & Storm water Maintenance as well as Plant machinery to assist us in new development areas. These appointments of these service providers will complement our local infrastructure maintenance team.

After presenting my budget in 2012, I was interviewed by one of the public radio station. A community member called and he asked me a question.

"The budget is very good, but how are you going to practically implement this budget in the entire municipality where as you are failing to maintain the road closer to your offices"

I am proud to announce that the challenges of the roads infrastructure closer to our offices are different to the one we saw in 2012.

Here under are some of the notable highlights of our achievements during 2014/15 financial year

- We were nominated for the Komoso Awards for the best Municipality and we came up second.
- Through our infrastructure project, we were able to create about 358 jobs.
- We started with the project of patching potholes in all roads and streets in the CBD.
- We were singled out by the Premier during his State of the Province address as the best in terms of the utilisation of the conditional grant (in MIG), and I want to quote the hon. Premier himself

'I must however congratulate Greater Giyani local municipality and Bela Bela local municipality which are doing relatively well on their MIG spending. By December last year, Bela Bela local municipality had spent 55% of its MIG budget whilst greater Giyani local municipality had spent 78% of its MIG budget. You have indeed done us proud" and for that, the national government awarded Greater Giyani municipality with a bonus R10 million.

- We got a hoping R24, 9m worth of disaster funding to fix all roads & bridges damaged during the flood we encountered in December last year.

LAND

It is worth noting that we will start working on the land acquired through our partnership with Mabunda Traditional Council during 2015/16 financial year.

It is indeed a giant milestone and the Mabunda Traditional Council as represented by Hosi Ngove wa vuntlhanu must be commended for making this initiative possible.

We already have a council decision on the future development of land under Mahumani traditional council, shamriri development.

It is our believe and understanding as council that the unfolding of the above initiative's will accelerate and unlock development for the future greater Giyani municipality.

HOUSING

We are pleased to announce that during the year 2014/15, COGHSTA had allocated us 300 RDP units plus another 100 comprising of uncompleted housing units. For the new financial year 2015/16, COGHSTA has allocated us 400 RDP units.

Kevin Kruse says "life is not about getting and having, its about giving and being".

In keeping with this inspiring quote, during 2014/15, the municipality managed to donate two decent houses to the most deserving families. We were able to assist with the roof for Joseph Mathebula who is from Mageva RDP, We build the house at Kheyi and Dzingidzingi villages, thanks to our hard working team attached to the Technical Services department.

Honourable members and all stakeholders present here, my clarion call is that let us join hands in ensuring that all of our fellow community members do have decent shelter as outlined in the freedom charter.

We call all social partners to join forces in rebuilding the society by creating shelters of our citizens. In line with the above I want to congratulate Maetiko group of companies, Mufundhisi Erasmus Malungani and many others who continue to build houses for the poor masses of our country.

SPORT, ARTS AND CULTURE

We need not be reminded about the power of sports, arts and Culture. Sports alone remain the best unifying tool here and elsewhere in the country.

In the light of this, madam speaker, we are pleased to announce that construction on Homu 14B sport centre is at an advanced stage. Processes to build the state of the art sports centre at Section E is progressing well. We have started a program to rehabilitate all our sport centres.

This Mayor's Cup has started smoothly and we want to call on all sport lovers to support these programs. We want to encourage all the wards to participate in this annual sport festival. We have introduced sport development programmes where we intend to nurture and unearth the talent of our young people. The following communities namely Phalaubeni, Section F, Dzingidzingi, Maphata, Dingamazi and Ximawusa received sporting equipments during the last financial year

Once again, we are pleased to announce to this house the following communities namely Homu 14C, Giyani section A, Xikukwani, Babangu, Munghonghoma, Mphagani, Shikhumba, Homu 14 A, Mbhedle, Mzilela, Nkuri Zamani, Nkomo B, Bon'wani and Giyani section E as our beneficiaries of sports programme for the current financial year.

We are again putting aside budget for the new financial year (2015/16). The portfolio committee on sport will assist in the identification of new beneficiaries.

Cultural festival

Cultural festival will continue to core exist with other cultural programmes but with improved budget allocation this financial year. Our people should be encouraged to be patriotic to our heritage and culture.

While still on culture we want to welcome the new art and culture group, swilombe Cultural group as led by its chairperson, Nkovani Gezani Eric, popularly known as Penny Penny. Congratulations for your election to serve as deputy president of the national association of art.

ENVIRONMENT AND WASTE MANAGEMENT

We have registered a great improvement in this particular area. And therefore we are particularly pleased to report that if community member's feedback is anything to go by, then we are on the right track.

We have significantly improved our waste removal services' turnaround time. Our plan to extend waste removal services to the nearby communities is still very much alive.

Some of our achievements during the financial year 2014/15 in brief are as follows:

- The refurbishment of Giyani Cemetery is in progress.
- The refurbishment of pound station in which all stray animals will be kept is underway.
- We have appointed 112 EPWP employees under Environment and Culture Sector

Hereunder follows our future plans:

- We are setting aside a Budget for further development of the landfill site. Upon completion, this landfill site will ensure safe disposal of waste.
- We will ensure continuous implementation of the EPWP programme by setting aside some budget.
- We will ensure that the process to hand over our parks at section A, section E, and Kremetart is fast tracked

LOCAL ECONOMIC DEVELOPMENT

"Taking the direct and indirect impacts of tourism together, the tourism sector now contributes over 9% of South Africa's Gross Domestic Product and supports over 1.5 million job opportunities countrywide. And it continues to grow." This is according to the Minister of Tourism Mr Derek Hanekom.

Given the diversity and our rich cultural heritage, we undoubtedly have the potential to position our municipality as the destination of choice and ultimately contribute significantly to the pool of jobs the industry boasts.

A lot more needs to be done to boost our local economic growth. We are particularly pleased with the progress made thus far with regard to Shangoni Gate which is set to serve as our economic hub and we are really excited about it.

Access to the Tourism Information Centre has received a significant facelift. It is important honourable members that we invest in the centre as a tourist gate way to our municipality.

We are proud to announce that we assisted the following SMMEs namely Tinghwazi arts and Redlives manufacturing. Furthermore, honourable members, we took five SMMEs to both Rand Easter Show and Durban Indaba to exhibit and market not only their products, but Giyani as brand and an ideal tourism destination. In partnership with Price Water Coopers (PWC), we trained 30 rural women in various business skills as way to empower them.

MUNICIPAL DEBT

We are disappointed to reveal that the municipality is still owed a total amount of R120 million. Government departments remain the main culprits. We however, have recorded some improvement from Public Works who paid R30 million to reduce their debt. We appeal to all Sector departments and agencies to come forward.

Whilst the debt collector continues to do his work, the response thereof is still not impressive. We thus call on everyone to cooperate with us and ensure that they pay their outstanding balances and monthly rates; it is the right thing to do.

Disaster Management

The municipality has since been allocated **R24 982 000.00** for Municipal Disaster Recovery Grant Projects for the repair of municipal road infrastructure damaged by the 2013 disaster. The projects will be implemented within the 2014/15 and 2015/16 financial years.

The projects to be implemented include the following

- Sikhunyani Culvert Bridge
- Mhlava - Willem Culvert Bridge
- Mninginisi Block 3 Culvert Bridge & Installation of Stormwater Side Drains
- Xikukwani Culvert Bridge

- Stormwater Side Drains at Sekhiming & Botshabelo
- Bode Culvert Bridge & Installation of Reno Mattress & Gabions
- Construction of 2 Culvert Bridges at Silawa
- Construction of 3 Culvert Bridges at Blinkwater
- Upgrade of Cementry Access Culvert Bridge at Homu 14a
- Sodoma Culvert Bridge
- Installation of Culvert Pipes at Mapuve
- Babangu Regravelling & Backfilling at Road D3820
- Re-Gravelling & Anti- Erosion Works at Road D3849- Mayepu- Matsotsosela
- Construction Of Culvert Bridge at Road D3853- Shawela- Shikhumba
- Backfilling & Construction of Culvert Bridge at Road D3854 - Shikhumba – Guwela.

This budget that I am presenting is consistent with the 2011 manifesto of the ruling party, the African national congress. Today marks the end of the vigorous process of the public consultations with the members of the community.

And we want to take this opportunity to thank all the residents of greater Giyani for your loyalty during the public participation. We want to thank all the leaders of the process plan:

The head of strategic planning and economic development, Cllr Shimange Mkatoko

The head of finance, Cllr Rikhotso MN

The IDP and Budget steering committee members.

To this end we have an obligation to ensure that all inputs by communities, clusters, wards, villages and townships are given the priority in the spirit of true democracy and consistent with the law of the Republic of south Africa.

If we are to succeed in making democracy a truly participatory, we should begin now to heed the demands of our people towards a developmental local government. In essence, developmental local government emphasises the socio economic development of the people. Local government is not just an important site for the delivery of services, but is crucial for the economic and social development of people.

We must do all that is necessary to ensure that we put our people first in all our interactions with organs of the civil society.

Our people have spoken, and now is the time implement. The voices are so audible and we have listened.

Our budget will cover all sectors of our society

The poor and the rich

The learned and illiterate

All the designated groups

We shall dare not fail

The Budget I am to present is in line with the provision of the Municipal Finance Management Act, amongst other things the following are legal imperatives for consideration:-

The Council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year (MFMA/Section 16 (1)).

A municipality council must at least 30 days before the start of the budget year consider approval of the annual budget: MFMA Section 24(1). An annual budget must generally be divided into capital and operating budgets: MFMA/ Section 17(2).

An annual budget must be funded from realistically estimated revenues to be collected, cash-backed accumulated funds from previous years surpluses not committed for other purposes, and, borrowed funds (but only for the capital budget): MFMA/Section 18 (1).

An annual budget must be approved together with the adoption of resolutions as may be necessary: MFMA/Section 24 (2)(c). Regulation 17 (MBRR) requires a municipal council to consider and adopt separate resolutions dealing with each of the items contemplated in Section 24(2) (c) of the MFMA.

I now present to Council the Municipal budget for the financial year 2015/2016 totalling **R 353 781 970**

1. SUMMARY OF EXPENDITURE BY FUNCTIONS/CLASSIFICATION

	R
MUNICIPAL GOVERNANCE & ADMINISTRATION	140 025 488
COMMUNITY & PUBLIC SAFETY	59 455 283

ECONOMIC & ENVIRONMENTAL SAFETY	135 887 399
TRADING SERVICES	7 604 375
OTHERS	10 809 425
TOTAL	353 781 970

2. ESTIMATED REVENUE (GRANTS)

	R
EQUITABLE SHARES	221 971 000
EPWP	1 581 000
FMG	1 675 000
MSIG	930 000
INEP	10 000 000
MDRG	20 000 000
MIG	58 660 000
LGSETA	360 000
TOTAL	315 177 000

3. ESTIMATED REVENUE (OTHER)

	R
BUILDING PLANS	345 000
ESCORT FEES	16 000
USE OF GRADER	270

SALE OF TENDER DOCUMENTS	350 000
PROPERTY RATES	35 000 000
CLEARANCE CERTIFICATES	10 000
RE-ISSUE OF STATEMENTS	10 000
INTEREST EARNED – INVESTMENTS	2 300 000
INTEREST EARNED – BANK	4 300 000
INTEREST RECEIVED – OVERDUE ACCOUNTS	5 000 000
OTHER INCOME	300 000
ADVERTS	74 000
MARKET RENTALS	3 000
PUBLIC PHONES CONTAINERS	700
PUBLIC PHONES LOOSE	700
USE OF CARAVAN PARK	10 000
CONFIRMATION LETTERS	300 000
REGISTRATION AND TRANSFERS	95 000
USE OF LIBRARY FACILITIES	2 700
HALL RESERVATIONS	175 000
USE OF GOLFCOURSE	32 000
SALE OF GRAVE PLOTS	98 000
HOUSE LOANS	16 000
HOUSE RENTALS	550 000
USE OF SPORT FIELDS	53 000
REFUSE REMOVAL	3 900 000
SALE OF REFUSE BINS	4 600
REGISTRATION OF VEHICLES	300 000
LICENSES	5 300 000
TRAFFIC FINES	59 000
TOTAL	58 604 970

4. PROJECTS CATEGORIES

	R
ELECTRIFICATION	19 630 700
ROADS & BRIDGES	62 800 000
OTHERS	41 977 000
TOTAL	124 407 700

5. REVENUE AND EXPENDITURE

	R
REVENUE	353 781 970
EXPENDITURE	353 781 970
SURPLUS/(DEFICIT)	0

6. % BUDGET PER ITEM

	R	%
SALARIES	107 908 125	30.50
REMUNERATIONS OF COUNCILLORS	17 447 215	4.94
GENERAL EXPENSES	68 433 930	19.34
REPAIRS & MAINTENANCE	24 135 000	6.82
CAPITAL INFRASTRUCTURE	135 857 700	38.40
TOTAL	353 781 970	100.00

7. % OPEX BUDGET

	R	%
SALARIES	107 908 125	49.52
REMUNERATION OF COUNCILLORS	17 447 215	8

GENERAL EXPENSES	68 433 930	31.4
REPAIRS & MAINTENANCE	24 135 000	11.08
TOTAL	217 924 270	100.00

CONCLUSION

“Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. You can be that great generation. Let your greatness blossom.”

We are so greatly inspired and encouraged by this quote by the most revered former state man. Indeed poverty is not natural and will certainly be overcome as with these allocations we aim to bring tangible changes to the lives of our people.

The State President, through the State of the Nation Address, declared this year as “the year of the Freedom Charter and unity in Action to Advance Economic Freedom, we rededicate ourselves to unity and hard work, to ensure continuous success in our beautiful country.”

I am mindful that poverty still afflicts and chains the majority of our rural population. I am mindful that serious service backlogs and lack of adequate infrastructure network are still issues to be addressed aggressively throughout our municipality.

As cadres deployed by the ANC and also in keeping with the call by the state president, much as we are proud of what we have achieved so far, we rededicate ourselves to the unity and hard work in ensuring continuous success in the implementation of services to the people.

The Provincial Treasury department through its political head, MEC Kgolane Phala offered its unwavering support to the “Back to Basic” approach of the ministry of CoGTA, which aims amongst others to improve service delivery and infrastructure development, and to improving governance and public participation.

“We will together build a responsive, caring and accountable local government. We will work together with the local sphere of government to serve our communities better”.

With such an unwavering support from the District, Provincial and National government, we can safely say that the prospect of moving Greater Giyani Municipality forward is certain.

It is now my honour to formally table the **IDP, and MTREF BUDGET FOR 2015/16 FINANCIAL YEAR AND THE TWO OUTER YEARS 2016/17/2017/18** for Approval by Council.

1.2 Council Resolutions

On 27 May 2015 the Council of Greater Giyani Local Municipality met in the Giyani Town Hall to consider the approved budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

1. The Council of Greater Giyani Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 ;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 ;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 ; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 ;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 ;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 ;
 - 1.2.4. Asset management as contained in Table 26 ; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Greater Giyani Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 - 2.1. the tariff structure of municipal services as set out in Annexure A.
3. To give proper effect to the municipality's annual budget, the Council of Greater Giyani Local Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

**SIGNED FOR AND ON BEHALF OF
THE GREATER GIYANI MUNICIPAL COUNCIL**

SPEAKER

27/05/2015

CLLR N M MASWANGANYI

DATE

MAYOR

27/05/2015

CLLR M P HLUNGWANI

DATE

COUNCILLOR FOR FINANCE

27/05/2015

CLLR N M RIKHOTSO

DATE

1.3 Executive Summary

National Treasury's MFMA Circular No. 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2015/16 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

R thousand	Adjustments Budget 2014/15	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Operating Revenue	245,709	285,122	292,506	290,646
Total Operating Expenditure	238,814	272,924	277,560	295,761
<i>(Surplus)/Deficit for the year</i>	6,895	12,198	14,946	-5,115
Total Capital Expenditure	117,923	135,858	129,821	121,331

Total operating revenue has grown by 16.04 per cent or R39, 413 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 2.59 and -0.64 per cent respectively.

Total operating expenditure for the 2015/16 financial year has been appropriated at R272.9 million and translates into a budgeted surplus of R12,1 million. When compared to the 2014/15 Adjustments Budget, operational expenditure has grown by 14,28 per cent in the 2015/16 budget and by 1.699 and 6.56 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R14,9 million and then stabilise at -R5,1 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R135.8 million for 2015/16 is 15.21 per cent more when compared to the 2014/15 Adjustment Budget. The capital programme increases to R129,8 million in the 2016/17 financial year and then evens out in 2017/18 to R121 million. A substantial portion of the capital budget will be funded from the local government equitable share over MTREF. The balance will be funded from internally generated funds.

1.3.1. Operating Revenue Framework

For Greater Giyani Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

LIM331 Greater Giyani - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	25 653	28 318	27 156	30 000	41 600	41 600	41 600	35 000	37 000	38 000
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	(29)	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	(39)	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	3 839	3 945	3 831	3 955	3 737	3 737	3 737	3 900	4 300	4 500
Service charges - other											
Rental of facilities and equipment		669	774	839	727	784	784	784	826	953	1 057
Interest earned - external investments		2 900	5 150	5 784	5 500	6 400	6 400	6 400	6 600	7 000	7 400
Interest earned - outstanding debtors		8 198	7 561	7 293	11 500	5 750	5 750	5 750	5 000	8 000	8 000
Dividends received											
Fines		134	60	71	47	58	58	58	59	62	64
Licences and permits		4 136	4 098	3 683	5 100	5 240	5 240	5 240	5 300	5 500	5 600
Agency services		307	398	325	400	200	200	200	300	300	300
Transfers recognised - operational		118 516	136 021	151 385	178 190	178 190	178 190	178 190	226 517	227 497	223 711
Other revenue	2	1 064	1 132	1 222	4 391	3 500	3 500	3 500	1 620	1 894	2 014
Gains on disposal of PPE					500	250	250	250	-	-	-
Total Revenue (excluding capital transfers and contributions)		165 349	187 458	201 588	240 310	245 709	245 709	245 709	285 122	292 506	290 646

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2014/15 financial year, revenue from rates and services charges totalled R41,6 million. This increases to R36 million, R37 million and R38 million in the respective financial years of the MTREF.

Operating grants and transfers totals R226, 5 million in the 2015/16 financial year and steadily decreases to R223, 7 million by 2017/18.

Table 3 Operating Transfers and Grant Receipts

LIM331 Greater Giyani - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		118 168	135 765	151 097	177 830	177 830	177 830	226 157	227 127	223 336
Local Government Equitable Share		116 152	132 615	147 657	173 816	173 816	173 816	221 971	224 360	220 158
Finance Management		952	1 350	1 550	1 600	1 600	1 600	1 675	1 810	2 145
Municipal Systems Improvement		790	800	890	934	934	934	930	957	1 033
EPWP Incentive		274	1 000	1 000	1 480	1 480	1 480	1 581	-	-
Other transfers/grants [insert description]										
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		347	256	288	360	360	360	360	370	375
LGSETA		347	88	120	360	360	360	360	370	375
LEDET & SUNDRY GRANTS			168	168						
Total Operating Transfers and Grants	5	118 516	136 021	151 385	178 190	178 190	178 190	226 517	227 497	223 711

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.5 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol

and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.3.2. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

Table 4 Comparison of proposed rates to levied for the 2015/16 financial year

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2015)
	c	C
Residential properties	0,005	0,006
State owned properties	0,035	0,037
Business & Commercial	0,021	0,022
Vacant land	0,043	0,022

The following table compares current and proposed amounts payable from 1 July 2015:

Table 5 Comparison between current waste removal fees and increases

Description	Current tariffs 2014/15	Proposed tariffs 2015/16
Refuse Removal daily collection	R2 232	R2 340
Refuse removal Businesses	R1 507 per month	R1 580 per month
Refuse removal government	R1 507 per month	R1 580 per month
Refuse removal residential	R28,26 per month	R30 per month
Refuse removal indigent	Free	Free

1.3.3. Operating Expenditure Framework

The Municipality expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 6 Summary of operating expenditure by standard classification item

Expenditure By Type											
Employee related costs	2	67 482	72 920	89 400	94 995	95 447	95 447	95 447	107 908	112 016	117 225
Remuneration of councillors		13 925	16 650	16 980	16 944	16 944	16 944	16 944	17 447	18 259	19 108
Debt impairment	3	16 911	28 766	28 450	20 000	20 000	20 000	20 000	20 000	22 000	24 000
Depreciation & asset impairment	2	18 694	20 376	22 503	30 000	30 000	30 000	30 000	35 000	38 000	40 000
Finance charges		433	278	514	450	450	450	450	500	500	550
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	3 534	4 174	14 690	7 555	6 982	6 982	6 982	9 135	9 720	10 525
Contracted services		354	308	427	12 050	9 058	9 058	9 058	17 150	12 260	17 360
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	31 809	36 923	46 943	53 444	59 933	59 933	59 933	65 784	64 805	66 994
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Expenditure		153 142	180 394	219 907	235 438	238 814	238 814	238 814	272 924	277 560	295 761

The budgeted allocation for employee related costs for the 2015/16 financial year totals R107,9 million, which equals 39.54 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 4.4 per cent for the 2015/16 financial year. An annual increase of 4.65 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision of debt impairment was determined. For the 2015/16 financial year this amount equates to R20 million and increase to R24 million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R35 million for the 2015/16 financial and equates to 12.8 per cent of the total operating expenditure.

Finance charges consist primarily of the bank charges. Finance charges make up 0.18 per cent (R500 thousand) of operating expenditure.

Other materials comprise of amongst others the materials for maintenance, cleaning materials and chemicals. For 2015/16 the appropriation against this group of expenditure has grown by 30,8per cent (R9,1 million) and continues to grow at 6.40 and 8.28 per cent for the two outer years .

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. For 2015/16 this expenditure increases by 14,14 per cent.

1.3.4. Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 7 Operational repairs and maintenance

Repairs and Maintenance	8									
Employee related costs										
Other materials		-	4 174	14 690	7 555	6 982	6 982	6 982	9 135	10 525
Contracted Services					10 000	7 008	7 008	7 008	15 000	15 000
Other Expenditure										
Total Repairs and Maintenance Expenditure	9	-	4 174	14 690	17 555	13 991	13 991	13 991	24 135	25 525

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality infrastructure and historic deferred maintenance. The total allocation for 2015/16 equates to R24.1 million a growth of 72, 50 per cent in relation to the Adjustment Budget and continues to grow to 29, 43 by 2017/18. In relation to the total operating expenditure, repairs and maintenance comprises of 8.84, 7.10 and 8.63 per cent for the respective financial years of the MTREF.

1.3.5. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register 80 000 or more indigent households during the 2015/16 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.3.6. Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2014/15 Medium-term capital budget per vote

Capital Expenditure - Standard											
<i>Governance and administration</i>		7 302	3 295	14 384	24 313	14 609	14 609	14 609	21 650	37 695	12 807
Executive and council					150	89	89	89	150	220	250
Budget and treasury office											
Corporate services		7 302	3 295	14 384	24 163	14 520	14 520	14 520	21 500	37 475	12 557
<i>Community and public safety</i>		558	4 590	5 625	13 611	24 907	24 907	24 907	46 277	13 700	17 524
Community and social services		-	2 961	3 094	3 150	12 792	12 792	12 792	33 947	4 700	300
Sport and recreation		558	1 629	2 531	10 461	12 116	12 116	12 116	12 330	9 000	17 224
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		20 937	32 868	50 817	48 494	63 868	63 868	63 868	48 300	58 426	81 000
Planning and development		-	7 281	4 543	1 450	1 200	1 200	1 200	3 000	3 000	12 000
Road transport		20 937	25 588	46 274	47 044	62 668	62 668	62 668	45 300	55 426	69 000
Environmental protection											
<i>Trading services</i>		-	-	-	14 500	14 538	14 538	14 538	19 631	20 000	10 000
Electricity					11 500	13 538	13 538	13 538	19 631	20 000	10 000
Water											
Waste water management											
Waste management					3 000	1 000	1 000	1 000	-	-	-
<i>Other</i>											
Total Capital Expenditure - Standard	3	28 796	40 753	70 826	100 918	117 923	117 923	117 923	135 858	129 821	121 331

Transport and roads receives the highest allocation of R45 million in 2015/16 which equates to 33.34 per cent of the total capital budget. Electricity infrastructure is at 14.45 per cent, R19,6 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management) . In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class

1.4. Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the following page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function.
4. Functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and treasury Office.

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R373,8 million in 2015/16 and escalates to R365 million by 2017/18. This represents a year-on-year increase of 18.8 per cent for the 2015/16 financial year and 0,44 per cent for the 2017/18 financial year.
2. Revenue to be generated from property rates is R35 million in the 2015/16 financial year and increases to R38 million by 2017/18 which represents 12,28 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It increases over the medium-term and tariff increases have been factored in at 4,85 per cent and 5.83 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R3.9 million for the 2015/16 financial year and increasing to R4.5 million by 2017/18. For the 2015/16 financial year services charges amount to 1,37 per cent of the total revenue base and grows by 1,55 per cent per annum over the medium-term.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 27.12 per cent for 2015/16 financial year, 0.43 per cent and -1.66 per cent for the two outer years.

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 has been allocated of the total R135,8 million capital budgets. This allocation escalates to R129, 8million in 2016/17 and then flattens out to R121,3 million in 2017/18.
3. Single-year capital expenditure has been appropriated at R12,5 million for the 2015/16 financial year and remains relatively constant over the MTREF at levels of R7.9 million and R8.1 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2015/16, capital transfers totals R88.6 million and escalates to R74.4 million by 2017/18.

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2014/15 MTREF provide for a further net decrease in cash of R1,6 million for the 2014/15 financial year resulting in an overall projected position cash position of R84,9 million at year end.
4. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R88.4 million as at the end of the 2015/16 financial year and decrease to R83 million by 2017/18.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality meets both these recommendations.

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:
 - a. Water services – These households are largely found in ‘reception areas’ and will need to be moved to formal areas so that they can receive services.
 - b. Sanitation services – The number of households with no toilet provision will be reduced to 20 046 households in 2015/16.
 - c. Electricity services – Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 69 000 households budgeted to be electrified in 2015/16.
 - d. Refuse services – backlog will be reduced by 60 456 households in 2015/16 financial year. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

Part 2 – Supporting Documentation

2.1. Overview of the approved budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 July 2014. Key dates applicable to the process were:

August 2014

- Review of previous year's budget and IDP process and completion of budget evaluation checklist.
- Develop a timetable of key budget and IDP deadlines for the 2015/2016 budget process.
- Approval of SDBIP 28 days after approval of budget.
- Finalization and signing of performance agreements (by senior managers).

October 2014

- Review past performance (financial & non-financial): Analysis of current reality including basic facts and figures.
- Review long term plans, setting out long term performance plans in terms of outcomes, service level requirements, demographics, backlogs etc.

➤ November 2014

- Initial tariff and revenue modelling.
- Integrate macro-economic indicators using Medium Term Budget Policy Statement (MTBPS) from NT.
- Projects prioritization with the communities: Input and feedback flow.

January 2015

- Draft HR plan including personnel budgets.
- Draft IDP amendments.
- Draft operating and capital plans per function or department, detailing service levels, initiatives, financial forecasts and non-financial indicators
- Detailed line item budget in line with operating and capital plans per function or department.
- Prepare and submit to NT, PT and DLG&H the annual reports for 2013/14 and all prior years.
- Assess municipal performance for the first 6 months of 2014/15 and submit mid-year performance assessment to Council. Include oversight report with any corrective measures proposed.
- Table the 2014/15 adjustment budget.

March 2015

- Table Draft Budget Document: Information from operational plans and line item budgets are combined to form the draft annual budget document
- Update and develop sector/ integrated plans/ programmes.

April 2015

- Public consultations and budget debates (commencement): Make budget available to and considers views of the public, NT, PT and other stakeholders.

May 2015

- Approval of IDP and budget together with revised tariffs, budget related policies, SDBIP and IDP /Budget process plan for 2015/16.
- Submission of IDP and budget to NP, PT, DLG&H as well as other stakeholders.

The draft 2015/16 MTREF budget and IDP were tabled before council on 27 March 2015 and approved on 27 May 2015.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2. IDP and Service Delivery and Budget Implementation Plan

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, household debt, migration patterns)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment level
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 has been taken into consideration in the planning and prioritisation process.

2.2. Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);

- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget.

A copy of the municipal approved IDP for 2015/2016 financial year is attached as **ANNEXURE K**.

2.3. Overview of budget related-policies

The Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Budget Related Policy Attached with the budget document

- Cash management Policy – **ANNEXURE B**
- Credit control Policy – **ANNEXURE C**
- Asset Management Policy – **ANNEXURE D**
- Inventory management Policy- **ANNEXURE E**
- Virement policy – **ANNEXURE F**
- Car allowance policy – **ANNEXURE G**
- Subsistence & Travel policy – **ANNEXURE H**
- Recruitment policy – **ANNEXURE I**
- Organisational Structure – **ANNEXURE J**

These policies are attached in the Budget document as annexures

2.4. Overview of budget assumptions

Industry-related rates are used as a baseline for raising estimates for all goods and services to be procured.

The budget takes into consideration national headline inflation estimates and trends that emerged while implementing the SDBIP in the outgoing financial year.

2.5. Overview of budget funding

The projected year-end balance for cash and cash equivalents for 30 June 2015 has been taken into account. The anticipated increase in revenue from municipal tariffs and improving collection rate, estimated at 70 per cent for the first budget year, justifies the anticipated increase in own revenue. Additional revenue is anticipated from property rates because of the new valuation roll that was done in the current financial year and identifies new properties in the municipal areas.

Only gazetted grants and transfers from national government, totalling R315M, were factored into the funding envelope. This is to ensure that the budget is based on realistically anticipated revenue.

The projected deficit before recognized capital transfers and depreciation offsets represents a non-cash deficit made up of depreciation charges.

2.6. Expenditure on allocations and grant programmes

Specific purpose transfers received by the municipality are allocated to capital projects implemented by the municipality in accordance with grant conditions. The other grants, including LGES, are allocated to operational programmes, such as the provision of free basic services, and operating costs.

2.7. Allocations of grants made by the municipality

The municipality makes no transfers in the form of grants to other institutions.

2.8. Councillors and board member allowances and employee benefits

Employees costs of councillors and officials are budgeted for at a global increase of 4,4 per cent as confirmed increment rates are not yet available. This is based on a weighting of headline inflation estimates and indications from negotiations going on at the bargaining chamber. The actual increment is 4.4 per cent but on SA22 it's shows 11,5 per cent due to budgeted vacant positions.

2.9. Monthly targets for revenue, expenditure and cash flow

The MBRR SA25 to SA30 is attached.

2.10. Contracts having future budgetary implications

In terms of the Municipality Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11. Capital expenditure details

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2015/16 Medium-term capital budget per vote

Capital Expenditure - Standard											
<i>Governance and administration</i>		7 302	3 295	14 384	24 313	14 609	14 609	14 609	21 650	37 695	12 807
Executive and council					150	89	89	89	150	220	250
Budget and treasury office											
Corporate services		7 302	3 295	14 384	24 163	14 520	14 520	14 520	21 500	37 475	12 557
<i>Community and public safety</i>		558	4 590	5 625	13 611	24 907	24 907	24 907	46 277	13 700	17 524
Community and social services		-	2 961	3 094	3 150	12 792	12 792	12 792	33 947	4 700	300
Sport and recreation		558	1 629	2 531	10 461	12 116	12 116	12 116	12 330	9 000	17 224
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		20 937	32 868	50 817	48 494	63 868	63 868	63 868	48 300	58 426	81 000
Planning and development		-	7 281	4 543	1 450	1 200	1 200	1 200	3 000	3 000	12 000
Road transport		20 937	25 588	46 274	47 044	62 668	62 668	62 668	45 300	55 426	69 000
Environmental protection											
<i>Trading services</i>		-	-	-	14 500	14 538	14 538	14 538	19 631	20 000	10 000
Electricity					11 500	13 538	13 538	13 538	19 631	20 000	10 000
Water											
Waste water management											
Waste management					3 000	1 000	1 000	1 000	-	-	-
<i>Other</i>											
Total Capital Expenditure - Standard	3	28 796	40 753	70 826	100 918	117 923	117 923	117 923	135 858	129 821	121 331

Transport and roads receives the highest allocation of R45,3 million in 2015/16 which equates to 33,34 per cent of the total capital budget. Electricity infrastructure is at 14.45 per cent, R19,6million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management) . In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class

2.12. Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department and one is appointed to Internal Audit from 1 January 2013.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
The Municipality has not yet established its own Audit Committee; However, an Audit Committee appointed by the District Municipality provides shared services to all the local municipalities in the district.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised and approved by the mayor.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.13.OTHER SUPPORTING DOCUMENTATION

Supporting details to budget are contained in supporting tables SA1 to SA37.

The tariffs structure for 2015/2016 financial year is attached (**Annexure A**).

2.14. Annual budgets of municipal entities attached to the approved budget

Greater Giyani municipality does not have an entity.

2.15. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

To: Provincial Treasury, Limpopo

National Treasury, South Africa

QUALITY CERTIFICATE ON THE APPROVED MTREF BUDGET

I, **RISIMATI HITLER MALULEKE**, municipal manager of **GREATER GIYANI MUNICIPALITY**, hereby certify that the approved budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and the regulations made under the Act, and the approved budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

RH Maluleke
Municipal Manager:
Greater Giyani Municipality
LIM 331

Date